C1200-4-A

APRIL 1991

INCENTIVE

MANAGING AND MARKETING THROUGH MOTIVATION

WHY IT PAYS TO LOSE THE BALDRIGE COMPETITION

QUALITY IN D.C.
CAN TOTAL QUALITY CLEAN UP OUR GOVERNMENT?

HELLO COLUMBUS
THREE SHIPS BRING A NEW WORLD OF TIE-INS

DOING THE RIGHT THING
HOW ONE GROUP PROMOTES ETHICS IN BUSINESS

N.Y. INCENTIVE SHOW
PREVIEW AND SCHEDULE

A BILL PUBLICATION

87TH YEAR, VOL. 165, NO. 4 APRIL 1991

INCENTIVE

63 Positively electrifying

52 New sails opportunities

Galvanizing the government **45**

DEPARTMENTS

FROM THE EDITOR **4**

OPINION **6**

CURRENTS **9**

SHOW REPORT **26**

MARKETPLACE **94**

RESOURCES **97**

INCENTIVE TRAVEL

HAWAII **67**

IDEAS **74**

FRANCE **80**

MERCHANDISE

GIFT CERTIFICATES **85**

IDEAS **90**

SUMMER IDEAS **92**

Incentive covers all the ways companies motivate consumers to buy, salespeople to sell and employees to work more effectively, with a special emphasis on incentives, promotions and training.

COVER STORY

WHY IT PAYS TO LOSE THE BALDRIGE COMPETITION

"Losing" this national quality contest is proving to be the best thing that ever happened to some companies. **33**

FEATURE

CAPITOL IMPROVEMENTS

A government-agency manager focuses workers on serving their customers—American taxpayers. **45**

INCENTIVE MARKETING

FACTS: DEALER INCENTIVES

While our annual survey projects a slight slowdown in spending, respondents also predict high participation and big sales gains. **48**

COLUMBUS DAY, ALL YEAR

To help celebrate the 500th anniversary of Columbus' voyage, many promotional opportunities may be just on the horizon. **52**

REGGIE AWARDS

The Promotion Marketing Association of America honors the creative campaigns at 10 companies. **58**

EMPLOYEE MOTIVATION

DOING THE RIGHT THING

Who cares if corporations are ethical? The Business Enterprise Trust does—and it rewards companies with a conscience. **60**

TECHNOLOGICAL TWISTS

How new technologies can add electricity to incentive presentations. **63**

Editor/Co-Publisher	Bruce Bolger
Executive Editor	Todd J. Englander
Senior Editor	Regina Eisman
Senior Editor	Erika Penzer
Associate Editor	Cara M. Tuzzolino
Art Director	Allen Schlossman
Research Director	George Meredith
Co-Publisher	Peter V. Edmunds
Publisher Emeritus	Murray B. Elman
EAST COAST	633 Third Ave. New York, NY 10017 (212) 986-4800 Fax (212) 867-4395
Sales Manager	Donald W. Campbell James M. Kilmetis
MIDWEST	180 N. Michigan Ave., #1600 Chicago, IL 60601 (312) 782-1266 Fax (312) 782-5282 J.C. Mills, Jr.
WEST COAST	10540 Talbert Ave. East Tower Ste. 150 Fountain Valley, CA 92708 (714) 964-7390 Fax (714) 964-6990 Peter V. Edmunds
CANADA	Choice Marketing 4899 53rd St., #113 Ladner, BC V4K 2Z3 (604) 654-6424 Fax (604) 737-8850
CENTRAL EUROPE	Media & Tourism Marketing P.O. Box 76 8053 Zurich, Switzerland (01) 55-55-56 Fax (01) 55-86-09 Rene Stein
PACIFIC	Headway Media Services Ltd. Room 2101 Causeway Bay Centre 15-23 Sugar St. Hong Kong (0852) 576-8002 Adrian Batten
	Reed Asian Publishing Pte. Ltd. 10 Anson Road, #32-02 International Plaza Singapore, 0207 (65) 226-3188 Selin Koh-Forsman
Production Manager	Joann DePalma
Production Assistant	Wendy Greenstein
Sales & Marketing Administrators	Carmen Lamboy Patricia Terriberry Karen Yos (Chicago) Lisa Riotte (California)
Business Manager	Charles Indich
Circulation Manager	Walt Heeney (Akron)
Asst. Circ. Manager	Pat Robinson (216) 867-4401

Bill Communications OFFICERS: John Wickersham, President; Irwin Levine, Treasurer; Vice Presidents: Jeffrey Berlind, Mary Jean Madigan, Howard Neibart, Russell Piersons, Malcolm Riley, Stanley Romaine, Greg Smith, Edward Spar, Charles Wrye; Deborah Seavey, Director of Human Resources; Thomas Tzoucalis, Director of Manufacturing; John Hartman, Chairman Emeritus.

VBPA ABP

FROM THE EDITOR

QUALITY, INSIDE AND OUT

BY BRUCE BOLGER

When this magazine changed its name to **Incentive** three years ago, it was based on the premise that a vital link exists between the ways companies market their products and motivate their employees. (Witness our cover slogan: "managing and marketing through motivation.")

With great pleasure, we've seen this premise dramatically reaffirmed by the Malcolm Baldrige National Quality Award winners who trumpet their victories in press releases, internal bulletins and ads. This desire to play up the award not only points to a new emphasis on quality as a competitive weapon, but also to quality's increased importance in the realm of marketing.

For years, the notion of quality existed only in the manufacturing arena. Quality was a cost—not a sales—issue. But when *marketers* demand quality, it suddenly becomes a sales issue—thus increasing its importance in the minds of corporate decision makers. The growing value of quality as a competitive tool in recent years has spurred increasing numbers of companies to make quality a top business priority.

Dedication to quality demands far more than clever ad slogans or empty promises. Understanding customers' needs and motivating *all* employees to meet those needs requires new levels of internal communication among salespeople, marketers and other employees.

Forging that link is no easy task. A wide gulf separates sales and marketing executives from the managers in operations, distribution and customer service—the people who must deliver on marketing promises. How often do you see sales executives hanging out with human resources or plant managers, or marketing employees in meetings with distribution people?

The quality process requires an understanding of operations by marketing people and a new emphasis on "internal marketing"—influencing and educating the people who deliver products and promises to customers. This dedication to quality also requires a new sort of sales and marketing executive, one who has a keen understanding of production, customer service and human resources issues.

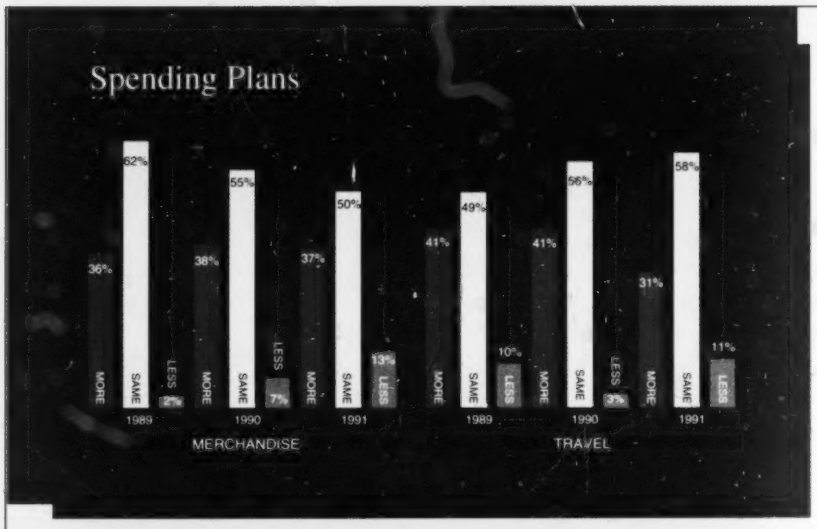
Tomorrow's marketers will know as much about motivating their company's employees as they do about motivating their customers. Today's marketers still have a lot to learn about the critical role they can play in the quality movement.

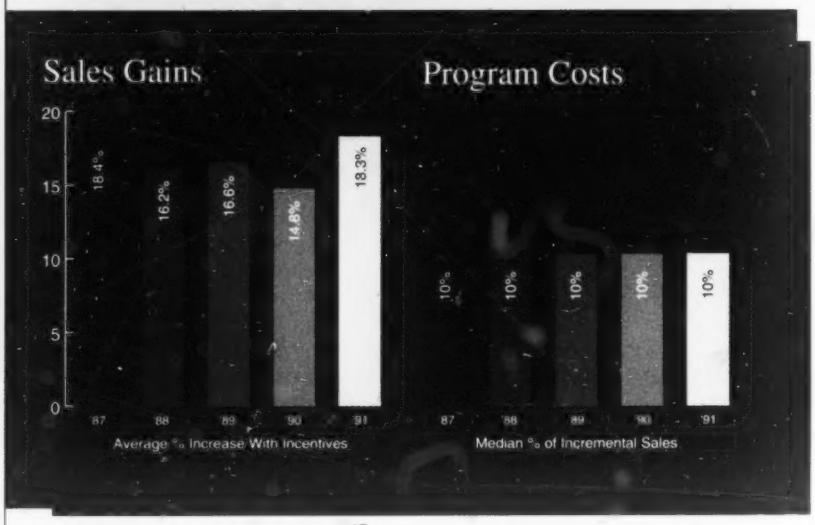
Bruce Bolger

Incentive/Managing and Marketing Through Motivation® (ISSN 0019-3364; USPS 799-880) is published monthly by Bill Communications, Inc., 341 White Pond Dr., Akron, OH 44320. Corporate and editorial headquarters: 633 Third Ave., New York, NY 10017. Subscriptions: US—$48, Canada/Foreign—$75, single copies—$5. January FACTS issue—$15.

Copyright 1990 by Bill Communications, Inc., all rights reserved.

Postmaster: Send change of address to Incentive/Managing and Marketing Through Motivation, Box 3599, Akron, OH 44309-3599, fax (216) 867-0019. Second Class postage paid at Akron, OH, and at additional mailing offices.





The slowdown in the growth of awards spending has not dampened predictions for good sales gains.

This year's survey of dealer-incentive users reveals two distinct trends: optimism...and pessimism. Users are projecting strong sales growth from receptive dealer markets, but they're also reporting rather parsimonious plans for incentive buying this year.

Incentive's 1991 survey shows that incentive users are budgeting an average of 4.8 percent more for dealer incentives this year than they spent in 1990. This would represent a minor expansion after inflation, but would also account for less than two-thirds of last year's estimated spending-growth rate of 7.6 percent.

The survey, which tabulated data for 1990 expenditures and 1991 budgets, indicates that if predictions come true for the entire year, dealer-incentive users will spend an estimated $148 million more than they did last year, for a total of about $3.2 billion.

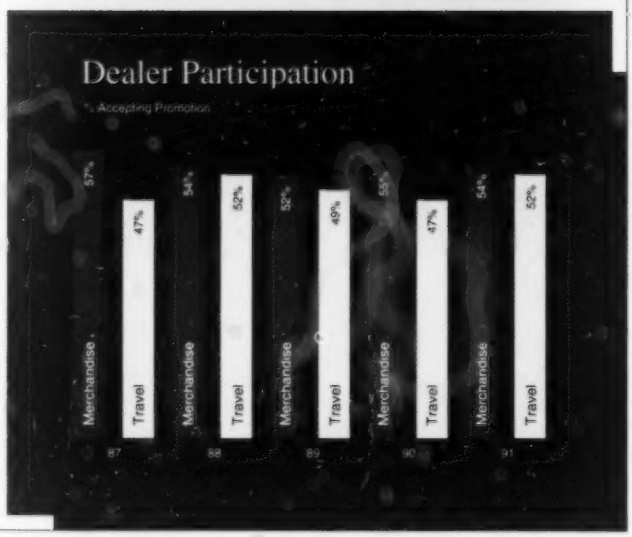
Despite the conservative plans, the same companies see strong results in their dealer incentive programs, anticipating sales gains averaging 18.3 percent—which, if they materialize, would produce the strongest showing since 1987. This compares with a projection of only 14.8 percent in last year's survey; it also substantially passes the actual sales gains registered—16.6 percent.

Optimism is reflected, too, in reports of dealer usage. Respondents claim an average of 53 percent of their target audiences participating in incentive campaigns, up two points from last year. As usual, merchandise and travel results differ—but not by much—with 54 percent of qualifiers accepting merchandise awards and 52 percent qualifying for trips. The merchandise-travel balance, however, is more equal than in recent years. In 1990, for instance, merchandise outperformed travel, 55 percent to 47 percent.

Respondents indicate that the individual cost of incentive awards has increased greatly. The average merchandise ticket is put at $295, $100 more than last year, while the average trip cost rose to $2,656 per person, up from from $1,990 a year ago. The median costs—a more reliable measure than averages—also have jumped, with merchandise prizes hitting a median of $125, compared with last year's $60, and the travel median rising from $1,500 to a new high of $2,100.

FACTS SURVEY: DEALER INCENTIVES

On the bright side: predictions of stronger sales and more participants. On the gloomy side: slower growth for spending.



Despite the escalation in unit costs, these companies have apparently restructured programs in ways that have resulted in stable overall costs. The campaign cost, expressed as a percentage of incremental sales (the truest measure of value received) has held steady for the past six years, at a median of 10 percent. (The average has risen somewhat, from last year's 11.6 percent to 12.3 percent in this survey, suggesting some rise in total cost among users at the high end.)

In the face of huge increases in travel costs—the median program rose by 40 percent—respondents still put greater emphasis on travel spending than on merchandise programs. The average increase in travel budgets was 5.7 percent, versus a 4.3 percent projected increase

The effects of higher award costs could be offset by a predicted rise in dealer participation.

What Can Dealer Incentives Do?

(% Respondents Reporting Each Objective)

65% Increase Overall Volume	30% Move Full Line/ Slow Items
58% Introduce New Product	29% Offset Competition
45% Sell New Accounts	26% Bolster Slow Season
33% Improve Morale/ Good Will	25% Support Consumer Promotion
32% Build Dealer Traffic	11% Prepare For Strong Season

in merchandise buying.

The numbers indicate that users are still relying mainly on travel to hit objectives such as building morale and good will. "Travel incentives seem to bring out the best in getting dealers motivated to doing an outstanding job," says Joseph J. Gurneak, director of training for Gulf Oil Corporation, Stewartsville, N.J. "Unlike merchandise, it affords dealers time to be with company management in a relaxing atmosphere, strengthening business relationships."

Yet, the percentage of firms planning to spend more for travel has dropped to its lowest point in several years—just 31 percent, whereas 41 to 44 percent reported higher travel budgets in the most recent surveys. And 11 percent—representing a high for the past four years—maintain that they are cutting back on travel spending.

The problem has intensified for merchandise users, whose median unit costs have more than doubled since last year. One visible adjustment has been the breakdown of total budgets: Users spent, on average, 23 percent of their budgets on promotional support—with a corresponding cut in the awards' share to 77 percent, down from 81 percent last year and as much as 85 percent in previous years. Rather than indicating a heightened level of promotional spending, this probably signals a cutback in the number of prizes.

Dealer incentives continue to be aimed at a wide variety of middlemen, with wholesalers representing the leading category this year. Here's how users targeted their promotions:

- Distributors and wholesalers 48%
- Specialty stores 29%
- Commercial and industrial dealers 21%
- Retail grocers 13%
- Service contractors 11%
- Drug stores 9%
- Variety and department stores 8%
- Service stations 7%

These marketers say they stage anywhere from one to 25 incentive campaigns per year; the average is 4.7 and the median, 3.

HOW THEY DO IT

Who makes final buying decision

58% Pres., CEO, exec, v.p. or gen.mgr.
31% Director of sales or marketing
6% Product manager or merchandising manager
5% Director of advertising or sales promotion

How dealer incentives are promoted

84% Company sales force
56% Direct mail
43% Literature with product
37% Dealer sales meetings
33% Trade shows
21% Wholesalers or brokers
14% Trade-paper ads

When most promotions are launched

13% January	6% July
8% February	5% August
13% March	17% September
9% April	9% October
4% May	7% November
8% June	2% December

Concerning program objectives, the majority of users—58 percent—run programs to push sales of a group of products, while 27 percent push their entire lines and 15 percent focus on single products. Sixty-five percent of this year's users claim that increasing volume is their key purpose for slating a program (although they also selected an average of 3.5 objectives, out of the 10 choices listed). Introducing new products is an unusually strong favorite among this year's goals, checked by 58 percent, versus last year's 43 percent. Another objective showing strength this year: selling new accounts, favored by 45 percent, 6 points ahead of last year's vote.

A broad set of objectives is followed by one California wholesaler: "We use merchandise incentives to build good will and, more importantly, reward outstanding performance by our dealers," he writes. "I want to build 'mind share,' amuse and motivate dealers to achieve their goals and my company's objectives through our incentive programs." Users in particular industries claim special objectives, too. In the printing trade, for example, Dave Brizius, director of advertising and marketing services for Copco Papers Inc., Columbus, Ohio, says, "Printers only buy when they have an order from their customer. Our main goal is: When a printer thinks about paper, make sure

he thinks of Copco papers. We have thousands of items, and we direct contests to those who specify the paper to the printer."

In other survey findings, users say they are spending about two weeks more than they did last year in planning programs. They took an average of 15 weeks to plan a merchandise-award campaign and 28 weeks to prepare a travel program.

The planning time tends to be longer than the duration of the promotion's actual selling period, survey results show. A special deal offering a premium with a specific product purchase runs an average of 8 weeks among these users; for a contest or sweepstakes, the length is 12 weeks. Travel campaigns average 29 weeks.

How do respondents measure results against their objectives? There has been a marked shift in the answers among this year's surveyed executives, compared with responses a year ago. Last year, dealer orders had been the measure of choice by a small margin—46 percent—versus 41 percent who waited to count factory shipments for their evaluation. (The two should be equal, but they aren't.) This year, however, dealer orders are the criterion of choice, selected by 62 percent, while only 30 percent favor factory shipments.

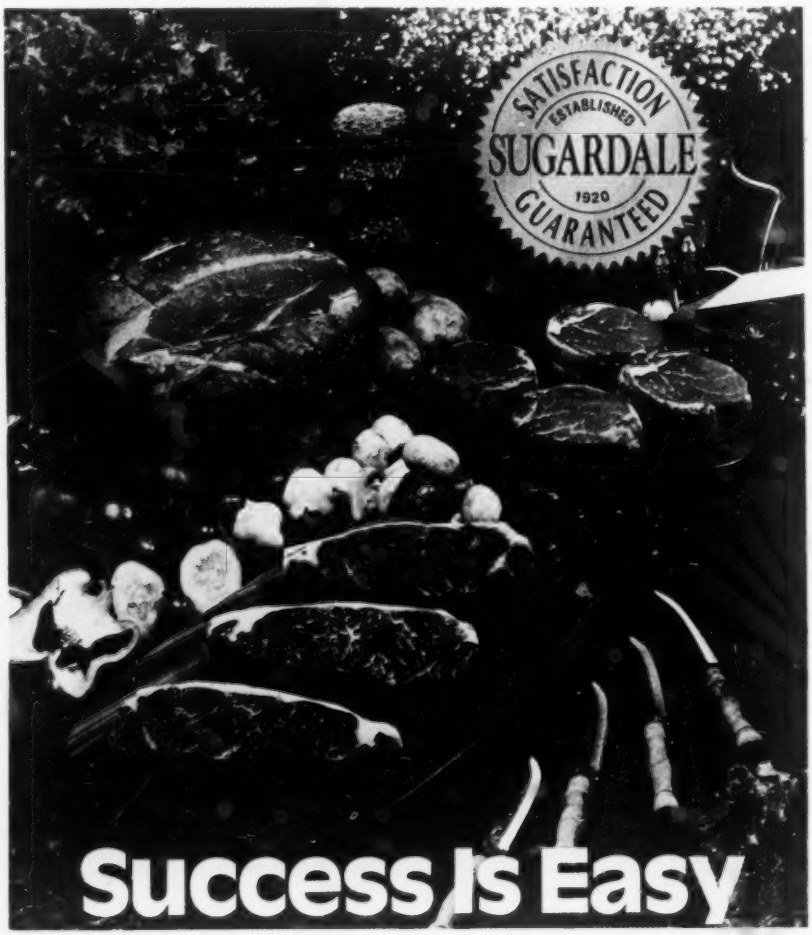
The third touchstone—new accounts opened—was counted by 39 percent of the users. Sales-force reports get most of the remaining votes, with 34 percent using them to gauge results.

Award Particulars

- **Type of award most often used as dealer incentive:**
  (% OF TOTAL RESPONDENTS)
  - 50% Own merchandise catalogue or selection
  - 35% Individual travel
  - 34% Group travel
  - 32% Single premium or few related items
  - 28% Merchandise from incentive firm's catalogue
- **Type of merchandise considered most effective:**
  - 50% Personal items
  - 46% Home or family items
  - 26% Business-use items
- **How merchandise premiums are delivered:**
  - 65% Shipped separately
  - 33% Delivered by sales force
  - 6% Packed by product
- **Type of supplier generally used:**

MERCHANDISE AWARDS
- 55% Wholesaler or premium jobber
- 45% Direct from manufacturer
- 33% Full-service incentive firm
- 31% Manufacturers' rep

TRAVEL AWARDS
- 56% Travel agent
- 30% Full-service incentive firm
- 26% Travel wholesaler
- 23% Travel carrier or hotel



Here's motivation that's easy, successful and in the best of taste. No age, sex, size, or color worries . . . no awards to order, inventory or ship. We deliver right to the winner, and satisfaction is guaranteed. What could be easier?

For programs large or small, nothing motivates or rewards like our "Private Collection" steaks, hams, and other gourmet food items. For a single gift or a multi-level award program, put our 70 year tradition of quality and service to work for you.

Let our promotional pros show you how easy, tasteful, and successful your next gift or incentive program can be!

SUGARDALE FOODS Private Collection

CALL
(216) 832-7491
Ask for
Bob Vidmar or
Steve Rhodes

SUGARDALE FOODS, INC. / Special Markets Division
P.O. Box 571 • Massillon, Ohio 44648

Circle No. 140 on Buyer Action Card